ANNUAL BUDGET OF

NONGOMA MUNICIPALITY

2018/19 TO 2020/21
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	*Automated Meter Reading*
ASGISA	*Accelerated and Shared Growth Initiative*
BPC	*Budget Planning Committee*
CFO	*Chief Financial Officer*
CM	*City Manager*
CPI	*Consumer Price Index*
CRRF	*Capital Replacement Reserve Fund*
DBSA	*Development Bank of South Africa*
DORA	*Division of Revenue Act*
EE	*Employment Equity*
EM	*Executive Mayor*
FBS	*Free basic services*
GAMAP	*Generally Accepted Municipal Accounting Practice*
GDP	*Gross domestic product*
GFS	*Government Financial Statistics*
GRAP	*General Recognised Accounting Practice*
HR	*Human Resources*
HSRC	*Human Science Research Council*
IDP	*Integrated Development Strategy*
IT	*Information Technology*
KM	*Kilometre*
KPA	*Key Performance Area*
KPI	*Key Performance Indicator*
LED	*Local Economic Development*
MEC	*Member of the Executive Committee*
MFMA	*Municipal Financial Management Act Programme*
MIG	*Municipal Infrastructure Grant*
MMC	*Member of Mayoral Committee*
MPRA	*Municipal Properties Rates Act*
MSA	*Municipal Systems Act*
MTEF	*Medium-term Expenditure Framework*
MTREF	*Medium-term Revenue and Expenditure Framework*
NGO	*Non-Governmental organisations*
NKPIs	*National Key Performance Indicators*
OHS	*Occupational Health and Safety*
OP	*Operational Plan*
PMS	*Performance Management System*
PPE	*Property Plant and Equipment*
PTIS	*Public Transport Infrastructure System*
SALGA	*South African Local Government Association*
SAPS	*South African Police Service*
SDBIP	*Service Delivery Budget Implementation Plan*
SMME	*Small Micro and Medium Enterprises*

Part 1 – Annual Budget

1.1 Mayor's Budget Speech

Honorable Speaker – Cllr BW Zulu

Honorable Deputy Mayor – Cllr AN Xulu

Honorable Members of the Executive Committee

Honorable Councillors

Municipal Manager – Mr.VT Sokhela

Heads of Department

Ladies and Gentlemen

I am honored to present to you the Draft budget for 2018/19 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2018/19 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate – you the voter, you the

community member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

We have started a revenue enhancement project, the vehicle testing centre which will be finalized in the new financial year. This project aims at increasing our revenue base, which will result in the upward revision of the grade of this municipality.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2018/19 MTREF Budget:

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Revenue (excluding capital transfers and contributions)		123 507	154 996	152 413	162 963	161 764	161 764	161 764	174 422	187 827	201 616
Total Expenditure		120 457	142 777	166 435	157 252	156 433	156 433	156 433	165 502	175 431	185 958
Surplus/(Deficit)		3 050	12 219	(14 022)	5 711	5 330	5 330	5 330	8 920	12 396	15 658
Add - capital Expenditure		42 891	47 505	44 415	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Surplus/(Deficit) for the year		**45 941**	**59 724**	**30 393**	**64 089**	**63 708**	**63 708**	**63 708**	**55 206**	**56 269**	**68 152**

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

a) Detailed operating revenue

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	15 792	18 230	19 507	21 858	21 858	21 858	–	23 230	24 624	26 102
Service charges - refuse revenue	2	1 654	1 685	1 723	1 904	1 904	1 904	–	2 018	2 140	2 268
Rental of facilities and equipment		121	60	167	234	234	234		248	263	279
Interest earned - external investments		1 138	1 814	2 444	1 831	1 831	1 831		1 940	2 057	2 180
Interest earned - outstanding debtors		1 897	–		2 979	1 200	1 200		1 590	1 685	1 787
Fines, penalties and forfeits		588	2 401	268	274	306	306		324	344	364
Licences and permits		625	768	869	838	838	838		888	941	998
Agency services		–	–		–	–	–		–	–	–
Transfers and subsidies		101 320	129 307	124 758	131 847	131 847	131 847		142 909	154 427	166 212
Other revenue	2	372	730	2 676	1 198	1 746	1 746	–	1 273	1 346	1 427
Total Revenue (excluding capital		**123 507**	**154 996**	**152 413**	**162 963**	**161 764**	**161 764**	**–**	**174 422**	**187 827**	**201 616**

b) Detailed operating expenditure

Expenditure By Type											
Employee related costs	2	49 565	67 661	73 795	71 907	77 698	77 698	–	80 466	85 294	90 412
Remuneration of councillors		11 277	12 495	13 185	13 852	13 852	13 852		14 308	15 167	16 077
Debt impairment	3	1 612	1 807	3 977	1 000	1 000	1 000		3 110	3 297	3 494
Depreciation & asset impairment	2	9 723	10 396	12 817	4 023	4 023	4 023	–	4 916	5 211	5 524
Finance charges		257	129	142	52	52	52		200	212	225
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8				5 145	6 645	6 645		8 546	9 059	9 602
Contracted services		10 901	12 328	17 133	27 774	16 080	16 080	–	16 226	17 200	18 232
Transfers and subsidies		877	–	–	150	1 500	1 500	–	1 550	1 643	1 742
Other expenditure	4, 5	36 246	37 961	45 387	33 348	35 584	35 584	–	36 179	38 349	40 650
Loss on disposal of PPE											
Total Expenditure		**120 457**	**142 777**	**166 435**	**157 252**	**156 433**	**156 433**	**–**	**165 502**	**175 431**	**185 958**

The municipality strengthened the human capital during the previous budgets through filling in critical positions.

The employee related cost increased to R80.4 million and councillors allowances increased to R14.3 million.

Speaker, the R36.1 million for other expenditure is broken down as follows:

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Other Expenditure By Type											
Collection costs					–	500	500	500	500	530	562
Audit fees					–	1 200	1 200	1 200	1 600	1 696	1 798
General expenses	3	36 246		45 387	–	–	–	–		–	–
Advertising, Publicity and Marketing					1 834	1 200	1 200	1 200	270	286	303
Bank Charges					120	120	120	120	200	212	225
Bursaries					500	500	500	500	510	541	573
Communication					2 350	1 900	1 900	1 900	1 150	1 219	1 292
External Computer Service					2 750	3 370	3 370	3 370	290	307	326
Hire Charges [Expenditure					1 967	1 967	1 967	1 967	825	875	927
Indigent Relief [Expenditure					1 868	1 868	1 868	1 868	1 550	1 643	1 742
Indigent burials					600	650	650	650	670	710	753
Printing, Publications and Books					915	915	915	915	1 000	1 060	1 124
Professional Bodies, Membership and Subscription					1 840	1 840	1 840	1 840	100	106	112
Registration Fees					480	480	480	480	–	–	–
Remuneration to Ward Committees					1 600	1 600	1 600	1 600	1 512	1 603	1 699
Toll Gate Fees					128	128	128	128	–	–	–
Travel and Subsistence					9 367	9 367	9 367	9 367	3 590	3 805	4 034
Uniform and Protective Clothing					1 020	1 020	1 020	1 020	308	326	346
Wet Fuel					900	900	900	900	1 200	1 272	1 348
Municipal Services					1 679	1 679	1 679	1 679		–	–
Insurance					1 000	1 000	1 000	1 000	1 200	1 272	1 348
Rewards Incentives					50	50	50	50	40	42	45
Vehicle Tracking					80	80	80	80	100	106	112
Office Equipment Operating lease					2 300	2 250	2 250	2 250	–	–	–
Other Expenditure			37 961		–	1 000	1 000	1 000	19 564	20 737	21 982
Total 'Other' Expenditure	1	**36 246**	**37 961**	**45 387**	**33 348**	**35 584**	**35 584**	**35 584**	**36 179**	**38 349**	**40 650**

c) Capital Expenditure

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		**51 945**	**36 068**	**41 672**	**58 378**	**58 378**	**58 378**	**54 786**	**43 873**	**45 494**
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Roads		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Community Assets		**–**	**–**	**–**	**4 487**	**–**	**–**	**–**	**–**	**–**
Community Facilities		–	–	–	4 487	–	–	–	–	–
Halls					3 487					
Testing Stations					1 000					
Intangible Assets		–	–	–	–	2 094	2 094	–	–	7 000
Licences and Rights		–	–	–	–	2 094	2 094	–	–	7 000
Unspecified						2 094	2 094			7 000
Computer Equipment		148	350	145	–	162	162	290	307	326
Computer Equipment		148	350	145		162	162	290	307	326
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Machinery and Equipment		183	41	–	235	–	–	–	–	–
Machinery and Equipment		183	41		235					
Transport Assets		–	500	–	–	2 950	2 950	–	–	–
Transport Assets			500			2 950	2 950			
Total Capital Expenditure on new ass	1	**52 659**	**37 528**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

Capital projects to be undertaken over the medium-term includes, amongst others:

- *Electrification projects to the value of R15 million*
- *Construction of rural roads and community halls– R43.3 million MIG allocation ; plus R8.5 million from equitable share to fund capital projects.*
- *Computers equipments – (R290 000)*

The municipality will be implementing the expanded public works programme for an amount of R1.6 million as per the National Treasury allocation.

Tariffs

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the

tariffs beyond the inflation target of 6%. Municipalities are required to justify all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs has been increased by 6% while tariffs for other service charges have been increased by the same 6% for the 2018/19 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2018/19 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mrs VT Sokhela, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

Hon Councillor M.A Mncwango

Mayor of Nongoma Municipality.

1.2 Council Resolutions

On 28 March 2018 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the Draft budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

   1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:

      1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.

      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;

      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and

      1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

      1.2.1. Budgeted Financial Position as contained in Table 14;

      1.2.2. Budgeted Cash Flows as contained in Table15;

      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;

      1.2.4. Asset management as contained in Table 17; and

      1.2.5. Basic service delivery measurement as contained in Table 18.

2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:

   2.1. the tariffs for property rates .

3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 78 and 79 that were used to guide the compilation of the 2018/19 MTREF tabled.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

- Availability of affordable capital/borrowing.

Table 1 Overview of the 2018/19 MTREF

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Revenue (excluding capital		123 507	154 996	152 413	162 963	161 764	161 764	–	174 422	187 827	201 616
Total Expenditure		120 457	142 777	166 435	157 252	156 433	156 433	–	165 502	175 431	185 958
Surplus/(Deficit)		3 050	12 219	(14 022)	5 711	5 330	5 330	–	8 920	12 396	15 658

Total operating revenue has increased to R174.4 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 7% and increased by 8% in 2019/20, equating to a total revenue growth of

Total operating expenditure for the 2018/19 financial year has been appropriated at R165.5 million and translates into a budgeted surplus of R8.9 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 6% in the 2018/19 budget and by 6% in 2019/20 and 6% in 2020/21. The surpluses of R8.9 million, R12.3 million and R15.6 million in 2018/19, 2019/20 and 2020/21 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R55.2 million for 2018/19 is 15 per cent less when compared to the 2017/18 Adjustment Budget. The capital programme decreases to R44.3 million in the 2019/20 financial year and increases to R52.9 million in 2020/21. A substantial portion of the capital budget will be funded from conditional grants over the MTREF.

1.4 Operating Revenue and Expenditure Framework

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an annual collection rate of not less than 70% for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	15 792	18 230	19 507	21 858	21 858	21 858	21 858	23 230	24 624	26 102
Service charges - refuse revenue	2	1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Rental of facilities and equipment		121	60	167	234	234	234	234	248	263	279
Interest earned - external investments		1 138	1 814	2 444	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Interest earned - outstanding debtors		1 897	–		2 979	1 200	1 200	1 200	1 590	1 685	1 787
Fines, penalties and forfeits		588	2 401	268	274	306	306	306	324	344	364
Licences and permits		625	768	869	838	838	838	838	888	941	998
Transfers and subsidies		101 320	129 307	124 758	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other revenue	2	372	730	2 676	1 198	1 746	1 746	1 746	1 273	1 346	1 427
Total Revenue (excluding capital transfers and		**123 507**	**154 996**	**152 413**	**162 963**	**161 764**	**161 764**	**161 764**	**174 422**	**187 827**	**201 616**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 15 per cent of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totalled R25.6 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 13 per cent or R24.6 million rand and increases to R25.1 million by 2020/21.The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, interest on investments, fines , rentals of facilities building plan fees and other fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R142.9 million in the 2018/19 financial year and increases to R154.4 million and R166.2 in 2019/20 and 2020/21 respectively.

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		**100 009**	**128 397**	**123 980**	**131 076**	**131 076**	**131 076**	**140 318**	**152 741**	**164 425**
Local Government Equitable Share		96 234	124 217	121 046	128 137	128 137	128 137	136 733	150 771	162 455
Finance Management		1 800	1 800	1 825	1 900	1 900	1 900	1 970	1 970	1 970
Municipal Systems Improvement		934	930		–	–	–	–		
EPWP Incentive		1 041	1 450	1 109	1 039	1 039	1 039	1 615	–	–
Provincial Government:		**672**	**850**	**738**	**771**	**771**	**771**	**2 591**	**1 686**	**1 787**
Provincialisation of Libraries		535	553	559	583	583	583	838	880	924
Municipal Assistance Programme		126	170	179	188	188	188	753	806	863
Sports Fields Maintanance		11	127		–	–	–			
Schemes Support Programme								1 000	–	–
Total Operating Transfers and Grants	5	**100 681**	**129 246**	**124 718**	**131 847**	**131 847**	**131 847**	**142 909**	**154 427**	**166 212**

Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for

the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
    - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
    - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
    - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
    - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 6% increase from 1 July 2018 is contained below:

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6% increase in the waste removal tariff is proposed from 1 July 2018. Any increase higher than 6% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.
The following table compares current and proposed amounts payable from 1 July 2018:

Table 6 Summary of operating expenditure by standard classification item

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type											
Employee related costs	2	49 565	67 661	73 795	71 907	77 698	77 698	77 698	80 466	85 294	90 412
Remuneration of councillors		11 277	12 495	13 185	13 852	13 852	13 852	13 852	14 308	15 167	16 077
Debt impairment	3	1 612	1 807	3 977	1 000	1 000	1 000	1 000	3 110	3 297	3 494
Depreciation & asset impairment	2	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges		257	129	142	52	52	52	52	200	212	225
Other materials	8				5 145	6 645	6 645	6 645	8 546	9 059	9 602
Contracted services		10 901	12 328	17 133	27 774	16 080	16 080	16 080	16 226	17 200	18 232
Transfers and subsidies		877	–	–	150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	4, 5	36 246	37 961	45 387	33 348	35 584	35 584	35 584	36 179	38 349	40 650
Loss on disposal of PPE											
Total Expenditure		**120 457**	**142 777**	**166 435**	**157 252**	**156 433**	**156 433**	**156 433**	**165 502**	**175 431**	**185 958**

The budgeted allocation for employee related costs for the 2018/19 financial year totals R80.4 million, which equals 57% of the total operating expenditure.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 6% has been factored into the budget for this financial year.

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R3.1 million and increases up to R3.2 million by 2019/20.While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R4.9 million for the 2018/19 financial year and equates to 3% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years and going forward.

Contracted services comprise budgeted expenditure for security services, waste management services, supply and delivery of stationery, fleet management and repairs & maintenance costs.. In the 2018/19 financial year, this group of expenditure totals R16.2 million .For the two outer years increased to R17.2 and R18.2 million respectively.

Transfers and grants of R1.5 million relates to the provision for 50kwv free basic electricity (FBE).

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget has been limited to R36.1 million for 2018/19 and R38.3 million and R40.6 million for the two outer years.

1.4.3 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 7 Operational repairs and maintenance

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		**3 151**	**–**	**–**	**–**	**–**	**–**	**1 100**	**1 166**	**1 236**
Roads Infrastructure		3 151	–	–	–	–	–	1 100	1 166	1 236
Roads		3 151						1 100	1 166	1 236
Other assets		**–**	**–**	**–**	**1 500**	**1 000**	**1 000**	**700**	**742**	**787**
Operational Buildings		–	–	–	1 500	1 000	1 000	700	742	787
Municipal Offices					1 500	1 000	1 000	700	742	787
Intangible Assets		–	–	–	648	648	648	–	–	–
Licences and Rights		–	–	–	648	648	648	–	–	–
Unspecified					648	648	648			
Computer Equipment		–	–	–	107	–	–	–	–	–
Computer Equipment					107					
Furniture and Office Equipment		588	–	–	–	–	–	–	–	–
Furniture and Office Equipment		588								
Machinery and Equipment		–	–	–	2 261	1 800	1 800	130	138	146
Machinery and Equipment					2 261	1 800	1 800	130	138	146
Transport Assets		767	–	–	–	–	–	700	742	787
Transport Assets		767						700	742	787
Total Repairs and Maintenance E	1	**4 506**	**–**	**–**	**4 516**	**3 448**	**3 448**	**2 630**	**2 788**	**2 955**

The infrastructure relating to electricity, water and sanitation is now the responsibility of the District Municipality. The total allocation for 2018/19 equates to R2.6 million, R2.7 million and R2.9 million for 2019/20 and 2020/21 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 2% for 2018/19 and also 3% for the two outer years of the MTREF.

1.4.4 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2018/19 financial year, a process is reviewed annually. Details relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table21 SA10 (Basic Service Delivery Measurement) on page 30.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2018/2019 Medium-term capital budget per vote

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		**51 945**	**36 068**	**41 672**	**58 378**	**58 378**	**58 378**	**54 786**	**43 873**	**45 494**
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Roads		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Community Assets		**–**	**–**	**–**	**4 487**	**–**	**–**	**–**	**–**	**–**
Community Facilities		–	–	–	4 487	–	–	–	–	–
Halls					3 487					
Testing Stations					1 000					
Intangible Assets		–	–	–	–	2 094	2 094	–	–	7 000
Licences and Rights		–	–	–	–	2 094	2 094	–	–	7 000
Unspecified						2 094	2 094			7 000
Computer Equipment		148	350	145	–	162	162	290	307	326
Computer Equipment		148	350	145		162	162	290	307	326
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Machinery and Equipment		183	41	–	235	–	–	–	–	–
Machinery and Equipment		183	41		235					
Transport Assets		–	500	–	–	2 950	2 950	–	–	–
Transport Assets			500			2 950	2 950			
Total Capital Expenditure on new ass	1	**52 659**	**37 528**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

Capital projects to be undertaken over the medium-term includes, amongst others:

- *Electrification projects to the value of R15 million*
- *Construction of rural roads and community halls– R43.3 million MIG allocation ; plus R8.5 million from equitable share to fund capital projects.*
- *Computers equipments – (R290 000)*

1.6 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 MBRR Table A1 - Budget Summary

KZN265 Nongoma - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	**15 792**	18 230	19 507	21 858	21 858	21 858	21 858	23 230	24 624	26 102
Service charges	1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Investment revenue	1 138	1 814	2 444	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Transfers recognised - operational	101 320	129 307	124 758	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other own revenue	3 602	3 959	3 980	5 523	4 324	4 324	4 324	4 323	4 580	4 854
Total Revenue (excluding capital transfers and contributions)	123 507	154 996	152 413	162 963	161 764	161 764	161 764	174 422	187 827	201 616
Employee costs	49 565	67 661	73 795	71 907	77 698	77 698	77 698	80 466	85 294	90 412
Remuneration of councillors	11 277	12 495	13 185	13 852	13 852	13 852	13 852	14 308	15 167	16 077
Depreciation & asset impairment	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges	257	129	142	52	52	52	52	200	212	225
Materials and bulk purchases	–	–	–	5 145	6 645	6 645	6 645	8 546	9 059	9 602
Transfers and grants	877	–	–	150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	48 758	52 096	66 496	62 122	52 663	52 663	52 663	55 515	58 846	62 377
Total Expenditure	120 457	142 777	166 435	157 252	156 433	156 433	156 433	165 502	175 431	185 958
Surplus/(Deficit)	3 050	12 219	(14 022)	5 711	5 330	5 330	5 330	8 920	12 396	15 658
Transfers and subsidies - capital (monetary	42 891	47 505	44 415	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Contributions recognised - capital & contribut	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	45 941	59 724	30 393	64 089	63 708	63 708	63 708	55 206	56 269	68 152
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	45 941	59 724	30 393	64 089	63 708	63 708	63 708	55 206	56 269	68 152
Capital expenditure & funds sources										
Capital expenditure	**37 528**	–	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Transfers recognised - capital	**36 210**	–	41 672	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Public contributions & donations	**–**	–	–	–	–	–	–	–	–	–
Borrowing	**–**	–	–	–	–	–	–	–	–	–
Internally generated funds	**1 318**	–	5 034	5 711	5 331	5 331	5 331	8 920	445	472
Total sources of capital funds	**37 528**	–	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Financial position										
Total current assets	**31 927**	32 994	31 849	32 667	32 667	32 667	32 667	36 033	37 813	39 682
Total non current assets	**255 344**	297 421	334 066	319 531	319 531	319 531	319 531	335 363	352 131	369 737
Total current liabilities	**17 315**	16 209	28 529	16 496	16 496	16 496	16 496	13 099	13 754	14 441
Total non current liabilities	**7 710**	9 385	3 185	7 955	7 955	7 955	7 955	6 543	6 870	7 214
Community wealth/Equity	**262 247**	304 821	334 201	327 746	327 746	327 746	327 746	351 754	369 320	387 765
Cash flows										
Net cash from (used) operating	**54 621**	41 214	43 910	62 096	66 523	66 523	66 523	56 040	57 154	69 090
Net cash from (used) investing	**(36 683)**	(49 547)	(46 760)	(64 089)	(63 709)	(63 709)	(63 709)	(55 206)	(44 318)	(52 966)
Net cash from (used) financing	**(3 221)**	(799)	(18)	7	–	–	–	–	–	–
Cash/cash equivalents at the year end	**15 678**	6 545	3 678	1 693	6 493	6 493	6 493	7 326	20 162	36 286
Cash backing/surplus reconciliation										
Cash and investments available	**15 714**	6 854	3 678	11 171	6 492	6 492	6 492	7 326	7 692	8 076
Application of cash and investments	**1 347**	(4 122)	2 692	10	(7 762)	(7 762)	(7 762)	(8 627)	(9 042)	(9 478)
Balance - surplus (shortfall)	**14 368**	10 976	987	11 161	14 254	14 254	14 254	15 953	16 734	17 554
Asset management										
Asset register summary (WDV)	**193 985**	37 528	46 706	–	–	–		–	–	–
Depreciation	**9 723**	10 396	12 817	4 023	4 023	4 023		4 916	5 211	5 524
Renewal of Existing Assets	**–**	–	–	–	–	–		–	–	–
Repairs and Maintenance	**4 506**	–	–	4 516	3 448	3 448		2 630	2 788	2 955
Free services										
Cost of Free Basic Services provided	**–**	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	**3 213**	–	–	425	425	425	390	390	413	438
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognized is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
        iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN265 Nongoma - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
Governance and administration		**119 299**	**148 497**	**147 279**	**158 619**	**155 426**	**155 426**	**166 392**	**176 376**	**186 958**
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		119 299	148 497	147 279	158 619	155 426	155 426	166 392	176 376	186 958
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**1 879**	**910**	**1 384**	**159 166**	**159 279**	**159 279**	**2 351**	**2 492**	**2 641**
Community and social services		1 292	910	944	158 896	158 976	158 976	2 031	2 153	2 282
Public safety		588	–	440	270	302	302	320	339	359
Economic and environmental services		**42 891**	**48 955**	**45 587**	**43 526**	**45 407**	**45 407**	**34 060**	**40 004**	**36 124**
Planning and development		–	–	68	148	990	990	1 159	1 229	1 302
Road transport		42 891	48 955	45 519	43 378	44 417	44 417	32 901	38 775	34 822
Trading services		**1 654**	**1 685**	**1 790**	**16 904**	**16 904**	**16 904**	**17 018**	**14 140**	**21 268**
Energy sources		–	–	–	15 000	15 000	15 000	15 000	12 000	19 000
Waste management		1 654	1 685	1 790	1 904	1 904	1 904	2 018	2 140	2 268
Other	4	**675**	**2 454**	**787**	**838**	**838**	**838**	**886**	**939**	**996**
Total Revenue - Functional	2	**166 398**	**202 501**	**196 828**	**379 053**	**377 854**	**377 854**	**220 708**	**233 950**	**247 987**
Expenditure - Functional										
Governance and administration		**114 778**	**80 350**	**92 600**	**84 513**	**80 888**	**80 888**	**90 426**	**95 850**	**101 603**
Executive and council		9 657	34 424	36 611	37 704	37 704	37 704	29 651	31 430	33 315
Finance and administration		105 121	45 927	55 990	46 809	43 185	43 185	60 775	64 421	68 287
Community and public safety		**3 380**	**23 597**	**34 557**	**36 090**	**37 096**	**37 096**	**35 737**	**37 882**	**40 155**
Community and social services		2 544	18 240	26 274	27 655	28 505	28 505	27 883	29 556	31 329
Public safety		836	5 357	8 282	8 435	8 591	8 591	7 855	8 326	8 826
Economic and environmental services		**1 965**	**18 638**	**23 313**	**21 826**	**25 127**	**25 127**	**25 799**	**27 347**	**28 988**
Planning and development		926	9 692	9 235	13 114	13 662	13 662	13 964	14 802	15 690
Road transport		1 039	8 947	14 077	8 712	11 466	11 466	11 835	12 545	13 298
Trading services		**0**	**12 276**	**11 944**	**12 453**	**10 805**	**10 805**	**10 921**	**11 576**	**12 271**
Waste management		–	12 276	11 944	12 453	10 805	10 805	10 921	11 576	12 271
Other	4	**334**	**7 915**	**4 021**	**2 370**	**2 516**	**2 516**	**2 619**	**2 776**	**2 943**
Total Expenditure - Functional	3	**120 457**	**142 777**	**166 435**	**157 252**	**156 433**	**156 433**	**165 502**	**175 431**	**185 958**
Surplus/(Deficit) for the year		**45 941**	**59 724**	**30 393**	**221 802**	**221 421**	**221 421**	**55 206**	**58 519**	**62 029**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

KZN265 Nongoma - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
1.1 - Mayor and Executive council		–	–	–	–	–	–	–	–	–
2.1 - Budget and Treasury		119 299	148 497	146 736	158 077	154 820	154 820	165 817	173 516	192 435
3.1 - Administration		–	–	543	543	606	606	575	610	646
4.1 - Community services		1 292	910	944	1 183	1 264	1 264	2 031	2 153	2 282
5.1 - Planning and Economic Development		42 891	48 955	45 587	58 526	60 407	60 407	49 060	52 004	55 124
6.1 - Roads		625	768	787	838	838	838	886	939	996
7.1 - Police Services		588	–	440	270	302	302	320	339	359
8.1 - Refuse		1 654	1 685	1 790	1 904	1 904	1 904	2 018	2 140	2 268
9.1 - Tourism		50	1 685	–	–	–	–	–	–	–
Total Revenue by Vote	2	**166 398**	**202 501**	**196 828**	**221 341**	**220 142**	**220 142**	**220 708**	**231 700**	**254 110**
Expenditure by Vote ***to be appropriated***	1									
1.1 - Mayor and Executive council		9 657	34 424	36 611	37 704	37 704	37 704	29 651	31 430	33 315
2.1 - Budget and Treasury		104 193	27 859	30 315	26 602	24 531	24 531	34 099	36 144	38 314
3.1 - Administration		928	18 067	25 674	20 207	18 654	18 654	26 676	28 277	29 973
4.1 - Community services		2 544	18 240	26 274	27 655	28 505	28 505	27 883	29 556	31 329
5.1 - Planning and Economic Development		926	15 753	23 313	20 142	23 431	23 431	24 056	25 499	27 029
6.1 - Roads		1 039	10 801	3 297	3 679	3 820	3 820	4 362	4 624	4 902
7.1 - Police Services		836	5 357	8 282	8 435	8 591	8 591	7 855	8 326	8 826
8.1 - Refuse		–	12 276	11 944	12 453	10 805	10 805	10 921	11 576	12 271
9.1 - Tourism		334	–	725	375	392	392	–	–	–
Total Expenditure by Vote	2	**120 457**	**142 777**	**166 435**	**157 252**	**156 433**	**156 433**	**165 502**	**175 431**	**185 958**
Surplus/(Deficit) for the year	2	**45 941**	**59 724**	**30 393**	**64 089**	**63 708**	**63 708**	**55 206**	**56 269**	**68 152**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	15 792	18 230	19 507	21 858	21 858	21 858	21 858	23 230	24 624	26 102
Service charges - refuse revenue	2	1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Rental of facilities and equipment		121	60	167	234	234	234	234	248	263	279
Interest earned - external investments		1 138	1 814	2 444	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Interest earned - outstanding debtors		1 897	–		2 979	1 200	1 200	1 200	1 590	1 685	1 787
Fines, penalties and forfeits		588	2 401	268	274	306	306	306	324	344	364
Licences and permits		625	768	869	838	838	838	838	888	941	998
Transfers and subsidies		101 320	129 307	124 758	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other revenue	2	372	730	2 676	1 198	1 746	1 746	1 746	1 273	1 346	1 427
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		**123 507**	**154 996**	**152 413**	**162 963**	**161 764**	**161 764**	**161 764**	**174 422**	**187 827**	**201 616**
Expenditure By Type											
Employee related costs	2	49 565	67 661	73 795	71 907	77 698	77 698	77 698	80 466	85 294	90 412
Remuneration of councillors		11 277	12 495	13 185	13 852	13 852	13 852	13 852	14 308	15 167	16 077
Debt impairment	3	1 612	1 807	3 977	1 000	1 000	1 000	1 000	3 110	3 297	3 494
Depreciation & asset impairment	2	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges		257	129	142	52	52	52	52	200	212	225
Other materials	8				5 145	6 645	6 645	6 645	8 546	9 059	9 602
Contracted services		10 901	12 328	17 133	27 774	16 080	16 080	16 080	16 226	17 200	18 232
Transfers and subsidies		877	–	–	150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	4, 5	36 246	37 961	45 387	33 348	35 584	35 584	35 584	36 179	38 349	40 650
Loss on disposal of PPE											
Total Expenditure		**120 457**	**142 777**	**166 435**	**157 252**	**156 433**	**156 433**	**156 433**	**165 502**	**175 431**	**185 958**
Surplus/(Deficit)		**3 050**	**12 219**	**(14 022)**	**5 711**	**5 330**	**5 330**	**5 330**	**8 920**	**12 396**	**15 658**
Transfers and subsidies - capital (monetary allocations) (National /		42 891	47 505	44 415	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Surplus/(Deficit) for the year		**45 941**	**59 724**	**30 393**	**64 089**	**63 708**	**63 708**	**63 708**	**55 206**	**56 269**	**68 152**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R174.4 million in 2018/19 and increases to R187.8 million by 2019/20.

2. Revenue to be generated from property rates is R23.2 million in the 2018/19 financial year which represents 13% of the operating revenue base of the Municipality and R24.6 million by 2019/20.
3. Services charges relating to refuse removal constitutes 1.1% or R2.0 million of the operating revenue budget for the 2018/19 financial year and increasing to R2.1 million by 2019/20.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. in 2018/19 is equal to R142.9 and increases to R154.4 and R166.2 million in two outer years respectively.
5. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2018/19 to 2020/21 period escalating from R91.5 million to R94.7 million including remuneration of councillors.
6. General expenses have increased from R35.5 million in 2017/18 to R36.1 in 2018/19.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

KZN265 Nongoma - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure *to be appropria*	2										
4.1 - Community services		280	–	–	–	–	–	–	–	–	–
5.1 - Planning and Economic Development		35 176	–	46 561	60 928	60 160	60 160	60 160	54 786	43 873	52 494
Capital multi-year expenditure sub-total	7	**35 456**	**–**	**46 561**	**60 928**	**60 160**	**60 160**	**60 160**	**54 786**	**43 873**	**52 494**
Single-year expenditure *to be appropria*	2										
1.1 - Mayor and Executive council		696	–	–	–	1 300	1 300	1 300	–	–	–
2.1 - Budget and Treasury		104	–	145	93	120	120	120	30	32	34
3.1 - Administration		245	–	–	368	1 994	1 994	1 994	390	413	438
4.1 - Community services		163	–	–	700	60	60	60	–	–	–
5.1 - Planning and Economic Development		863	–	–	–	60	60	60	–	–	–
7.1 - Police Services		–	–	–	1 000	15	15	15	–	–	–
8.1 - Refuse		–	–	–	1 000	–	–	–	–	–	–
Capital single-year expenditure sub-total		**2 072**	**–**	**145**	**3 161**	**3 549**	**3 549**	**3 549**	**420**	**445**	**472**
Total Capital Expenditure - Vote		**37 528**	**–**	**46 706**	**64 089**	**63 709**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**
Capital Expenditure - Functional											
Governance and administration		**1 040**	**–**	**145**	**2 011**	**3 421**	**3 421**	**3 421**	**420**	**445**	**472**
Executive and council		696				1 300	1 300	1 300			
Finance and administration		344		145	2 011	2 121	2 121	2 121	420	445	472
Community and public safety		**420**	**–**	**–**	**1 700**	**75**	**75**	**75**	**–**	**–**	**–**
Community and social services		420			700	75	75	75			
Public safety					1 000						
Economic and environmental services		**36 068**	**–**	**46 561**	**59 378**	**60 213**	**60 213**	**60 213**	**54 786**	**43 873**	**52 494**
Planning and development		30 829		4 890	1 000	1 782	1 782	1 782			
Road transport		5 239		41 672	58 378	58 431	58 431	58 431	54 786	43 873	52 494
Trading services		**–**	**–**	**–**	**1 000**	**–**	**–**	**–**	**–**	**–**	**–**
Waste management		–			1 000						
Total Capital Expenditure - Functional	3	**37 528**	**–**	**46 706**	**64 089**	**63 709**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**
Funded by:											
National Government		35 810		41 672	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Provincial Government		400									
Transfers recognised - capital	4	**36 210**	**–**	**41 672**	**58 378**	**58 378**	**58 378**	**58 378**	**46 286**	**43 873**	**52 494**
Internally generated funds		1 318		5 034	5 711	5 331	5 331	5 331	8 920	445	472
Total Capital Funding	7	**37 528**	**–**	**46 706**	**64 089**	**63 709**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2018/19 R31.2 million has been allocated of the total R54.7 million capital budget, This allocation increases to R43.8 million in 2019/20 and then increases again to R52.4 million in 2020/21 owing primarily to the fact that new projects will be commenced during the next two financial years.

3. Single-year capital expenditure has been appropriated at R7.0 million for the 2016/17 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.

5. Internally generated funding amount to R3.8 million, R5.1 million and R1.5 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 14 MBRR Table A6 -Budgeted Financial Position

KZN265 Nongoma - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		15 678	6 546	3 678	8 859	4 180	4 180	4 180	4 473	4 696	4 931
Call investment deposits	1	37	309	–	2 312	2 312	2 312	2 312	2 853	2 996	3 145
Consumer debtors	1	15 299	21 858	26 564	20 498	25 177	25 177	25 177	27 659	29 042	30 494
Other debtors		914	4 282	900	998	998	998	998	1 048	1 079	1 112
Current portion of long-term receivables				707							
Total current assets		**31 927**	**32 994**	**31 849**	**32 667**	**32 667**	**32 667**	**32 667**	**36 033**	**37 813**	**39 682**
Non current assets											
Property, plant and equipment	3	255 167	296 963	333 789	319 035	319 035	319 035	319 035	334 987	351 736	369 323
Intangible		177	458	277	496	496	496	496	376	395	415
Total non current assets		**255 344**	**297 421**	**334 066**	**319 531**	**319 531**	**319 531**	**319 531**	**335 363**	**352 131**	**369 737**
TOTAL ASSETS		**287 271**	**330 415**	**365 915**	**352 197**	**352 197**	**352 197**	**352 197**	**371 395**	**389 944**	**409 420**
LIABILITIES											
Current liabilities											
Borrowing	4	173	54	175	28	28	28	28	–	–	–
Consumer deposits		96	575	116							
Trade and other payables	4	17 046	15 041	21 327	16 355	16 355	16 355	16 355	13 099	13 754	14 441
Provisions			539	6 911	113	113	113	113			
Total current liabilities		**17 315**	**16 209**	**28 529**	**16 496**	**16 496**	**16 496**	**16 496**	**13 099**	**13 754**	**14 441**
Non current liabilities											
Borrowing		1 865	3 117	3 131	–	–	–	–	–	–	–
Provisions		5 845	6 269	54	7 955	7 955	7 955	7 955	6 543	6 870	7 214
Total non current liabilities		**7 710**	**9 385**	**3 185**	**7 955**	**7 955**	**7 955**	**7 955**	**6 543**	**6 870**	**7 214**
TOTAL LIABILITIES		**25 025**	**25 594**	**31 714**	**24 451**	**24 451**	**24 451**	**24 451**	**19 642**	**20 624**	**21 655**
NET ASSETS	5	**262 247**	**304 821**	**334 201**	**327 746**	**327 746**	**327 746**	**327 746**	**351 754**	**369 320**	**387 765**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		262 247	304 821	334 201	327 746	327 746	327 746	327 746	351 754	369 320	387 765
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**262 247**	**304 821**	**334 201**	**327 746**	**327 746**	**327 746**	**327 746**	**351 754**	**369 320**	**387 765**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non-current;
   - Changes in net assets; and
   - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table15 MBRR Table A7 - Budgeted Cash Flow Statement

KZN265 Nongoma - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		14 729	13 901	15 039	18 000	18 000	18 000	18 000	19 080	20 225	21 438
Service charges			1 685		700	700	700	700	742	787	834
Other revenue		5 653	1 916	2 068	3 569	7 178	7 178	7 178	2 559	2 709	2 872
Government - operating	1	101 320	113 969	169 128	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Government - capital	1	42 891	47 505		58 378	58 378	58 378	58 378	46 286	43 873	52 494
Interest		1 138		1 663	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Payments											
Suppliers and employees		(110 853)	(137 634)	(143 845)	(152 026)	(149 858)	(149 858)	(149 858)	(155 726)	(165 069)	(174 974)
Finance charges		(257)	(129)	(142)	(52)	(52)	(52)	(52)	(200)	(212)	(225)
Transfers and Grants	1	–	–		(150)	(1 500)	(1 500)	(1 500)	(1 550)	(1 643)	(1 742)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**54 621**	**41 214**	**43 910**	**62 096**	**66 523**	**66 523**	**66 523**	**56 040**	**57 154**	**69 090**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				(46 706)					–	–	–
Decrease (increase) other non-current receivables			(31)						–	–	–
Payments											
Capital assets		(36 683)	(49 517)	(54)	(64 089)	(63 709)	(63 709)	(63 709)	(55 206)	(44 318)	(52 966)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(36 683)**	**(49 547)**	**(46 760)**	**(64 089)**	**(63 709)**	**(63 709)**	**(63 709)**	**(55 206)**	**(44 318)**	**(52 966)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		(2 700)							–	–	–
Borrowing long term/refinancing		(240)							–	–	–
Increase (decrease) in consumer deposits		–			7				–	–	–
Payments											
Repayment of borrowing		(281)	(799)	(18)					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(3 221)**	**(799)**	**(18)**	**7**	**–**	**–**	**–**	**–**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**14 718**	**(9 132)**	**(2 868)**	**(1 985)**	**2 814**	**2 814**	**2 814**	**834**	**12 836**	**16 124**
Cash/cash equivalents at the year begin:	2	**960**	**15 678**	**6 546**	**3 678**	**3 678**	**3 678**	**3 678**	**6 492**	**7 326**	**20 162**
Cash/cash equivalents at the year end:	2	**15 678**	**6 545**	**3 678**	**1 693**	**6 493**	**6 493**	**6 493**	**7 326**	**20 162**	**36 286**

The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2018/19 to 2020/21. For the 2018/19 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to amount R7.3 million by 2018/19 and rapidly increasing to R20.1 by 2019/20.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 58 and 59 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN265 Nongoma - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	15 678	6 545	3 678	1 693	6 493	6 493	6 493	7 326	20 162	36 286
Other current investments > 90 days		37	309	–	9 478	(1)	(1)	(1)	(1)	(12 470)	(28 209)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**15 714**	**6 854**	**3 678**	**11 171**	**6 492**	**6 492**	**6 492**	**7 326**	**7 692**	**8 076**
Application of cash and investments											
Unspent conditional transfers		300	221	175	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	1 047	(4 343)	2 517	10	(7 762)	(7 762)	(7 762)	(8 627)	(9 042)	(9 478)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**1 347**	**(4 122)**	**2 692**	**10**	**(7 762)**	**(7 762)**	**(7 762)**	**(8 627)**	**(9 042)**	**(9 478)**
Surplus(shortfall)		**14 368**	**10 976**	**987**	**11 161**	**14 254**	**14 254**	**14 254**	**15 953**	**16 734**	**17 554**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.

5. The budget for the MTREF 2018/19 to 2020/21 with a positive surplus of R15.9, R16.7 and R17.5 million is appropriately funded.

Table 17 MBRR Table A9 - Asset Management

KZN265 Nongoma - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	**52 659**	**37 528**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Infrastructure		***51 945***	***36 068***	***41 672***	***58 378***	***58 378***	***58 378***	***54 786***	***43 873***	***45 494***
Community Facilities		–	–	–	4 487	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		**–**	**–**	**–**	***4 487***	**–**	**–**	**–**	**–**	**–**
Licences and Rights		–	–	–	–	2 094	2 094	–	–	7 000
Intangible Assets		**–**	**–**	**–**	**–**	***2 094***	***2 094***	**–**	**–**	***7 000***
Computer Equipment		**148**	**350**	**145**	**–**	**162**	**162**	**290**	**307**	**326**
Furniture and Office Equipment		**382**	**569**	**4 890**	**989**	**125**	**125**	**130**	**138**	**146**
Machinery and Equipment		**183**	**41**	**–**	**235**	**–**	**–**	**–**	**–**	**–**
Transport Assets		**–**	**500**	**–**	**–**	**2 950**	**2 950**	**–**	**–**	**–**
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Infrastructure		***51 945***	***36 068***	***41 672***	***58 378***	***58 378***	***58 378***	***54 786***	***43 873***	***45 494***
Community Facilities		–	–	–	4 487	–	–	–	–	–
Community Assets		**–**	**–**	**–**	***4 487***	**–**	**–**	**–**	**–**	**–**
Licences and Rights		–	–	–	–	2 094	2 094	–	–	7 000
Intangible Assets		**–**	**–**	**–**	**–**	***2 094***	***2 094***	**–**	**–**	***7 000***
Computer Equipment		**148**	**350**	**145**	**–**	**162**	**162**	**290**	**307**	**326**
Furniture and Office Equipment		**382**	**569**	**4 890**	**989**	**125**	**125**	**130**	**138**	**146**
Machinery and Equipment		**183**	**41**	**–**	**235**	**–**	**–**	**–**	**–**	**–**
Transport Assets		**–**	**500**	**–**	**–**	**2 950**	**2 950**	**–**	**–**	**–**
Libraries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Zoo's, Marine and Non-biological Animals		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL CAPITAL EXPENDITURE - Asset class		**52 659**	**37 528**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

Table 18 MBRR Table A10 - Basic Service Delivery Measurement

KZN265 Nongoma - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household se	1									
Electricity (kwh per household per month)					1 868 025	1 500 000	1 500 000	15 000 000	1 590 000	1 685 400
Refuse (average litres per w		148 344	1 578 128							
Total revenue cost of subsidised services provided		**3 213**	**–**	**–**	**425**	**425**	**425**	**390**	**413**	**438**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma**.**
   - **Electricity**

     ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

   - **Refuse**

     There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. The Free Basic Services will cost the municipality R1.5 million in 2018/19.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2015 as required by the MFMA. The Key dates applicable to the process were:

- **25 January 2018** - Council considers the 2018/19 Mid-year and performance assessment.
- **27 February 2018**- Council revised budget
- **12 February 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **19 February 2018** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2018/19 financial period.
- **28 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2020/21 MTREF for public consultation;
- **April 2018** – Public consultation commences
- **29 April 2018** - Closing date for written comments;
- **2 to 13 May 2018** – finalization of the 2018/19 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **26 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;

- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2018/19 MTRE, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends
- Performance trends
- The approved 2018/19 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 – budget circulars - has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The 2018/19 draft budget and MTREF after being tabled before Council for approval on 28 March 2018 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process included invitation of the community to the IDP/Budget Road shows as planned. The road shows were held at different places within Nongoma municipal area of jurisdiction as identified by council as follows:

- On the 25 April 2018 – Ematheni Trdituional Athority (NqobuZulu)
- On the 26th April 2018 – Osuthu Traditional Aathority (EmaHhashini)
- On the 28 April 2018 – Mandlakazi Traditional Athority (Emangqeleni)

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant consider as part of the finalisation of the 2018/19 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning

provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2016 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015.Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of

partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its

IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

2016/17 MTREF	
1.	Provision of quality basic services and infrastructure
2.	Economic growth and development that leads to sustainable job creation
3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities
4.	Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1	Promote sound governance
5.2	Ensure financial sustainability
5.3	Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
    - Provide electricity (through Eskom)
    - Provide water (through District Municipality)
    - Provide sanitation (through District Municipality)
    - Provide solid waste removal
    - Provide housing (through Department of Human Settlements)
    - Provide roads and storm water
    - Provide municipality planning services; and
    - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring there is a clear structural plan for the municipality;
    - Ensuring planning processes function in accordance with set timeframes;
    - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance and communication through:

- Publishing the outcomes of all tender processes and other information on the municipal website.

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			48 395	50 028	60 263	48 087	44 344	40 407	42 831	45 401	48 125
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town			58 200	60 263	50 028	58 263	59 863	60 263	63 879	67 712	71 774
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			4 599	36 103	39 434	49 104	50 428	60 363	63 985	67 824	71 893
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the			8 100	0		9 000	8 400		8 904	9 438	10 005
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			47 104	56 107	47 104	56 887	57 107	59 109	41 109	41 326	52 313
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	**166 398**	**202 501**	**196 829**	**221 341**	**220 142**	**220 142**	**220 708**	**231 701**	**254 110**

Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			28 760	50 032	50 400	52 917	52 917	52 917	56 092	59 458	63 025
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			38 993	17 624	16 000	8 502	8 502	8 502	8 672	9 192	9 744
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			9 587	12 845	13 569	25 942	25 942	25 942	27 498	29 148	30 897
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively. the environmental requirements; and ensuring the protection services and disaster management are operating effectively.			4 793	9 113	10 976	37 228	37 228	37 228	39 462	41 829	44 339
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			14 380	32 928	28 846	18 178	20 989	20 989	16 175	17 962	17 748
Allocations to other priorities												
Total Expenditure			1	**96 514**	**122 542**	**119 791**	**142 767**	**145 578**	**145 578**	**147 899**	**157 589**	**165 753**

Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			6 883		6 783	10 426	10 046	11 046	10 342	10 549	12 434
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and			18 266		18 366	25 306	25 306	26 306	27 884	18 000	15 000
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy .			5 236		7 883	9 983	9 983	10 683	11 324	10 438	12 723
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi			2 249		5 249	8 949	8 949	6 249	4 500	4 800	5 000
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			4 895		8 426	9 426	9 426	9 426	1 156	531	7 809
Allocations to other priorities			3									
Total Capital Expenditure			1	**37 528**	**–**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

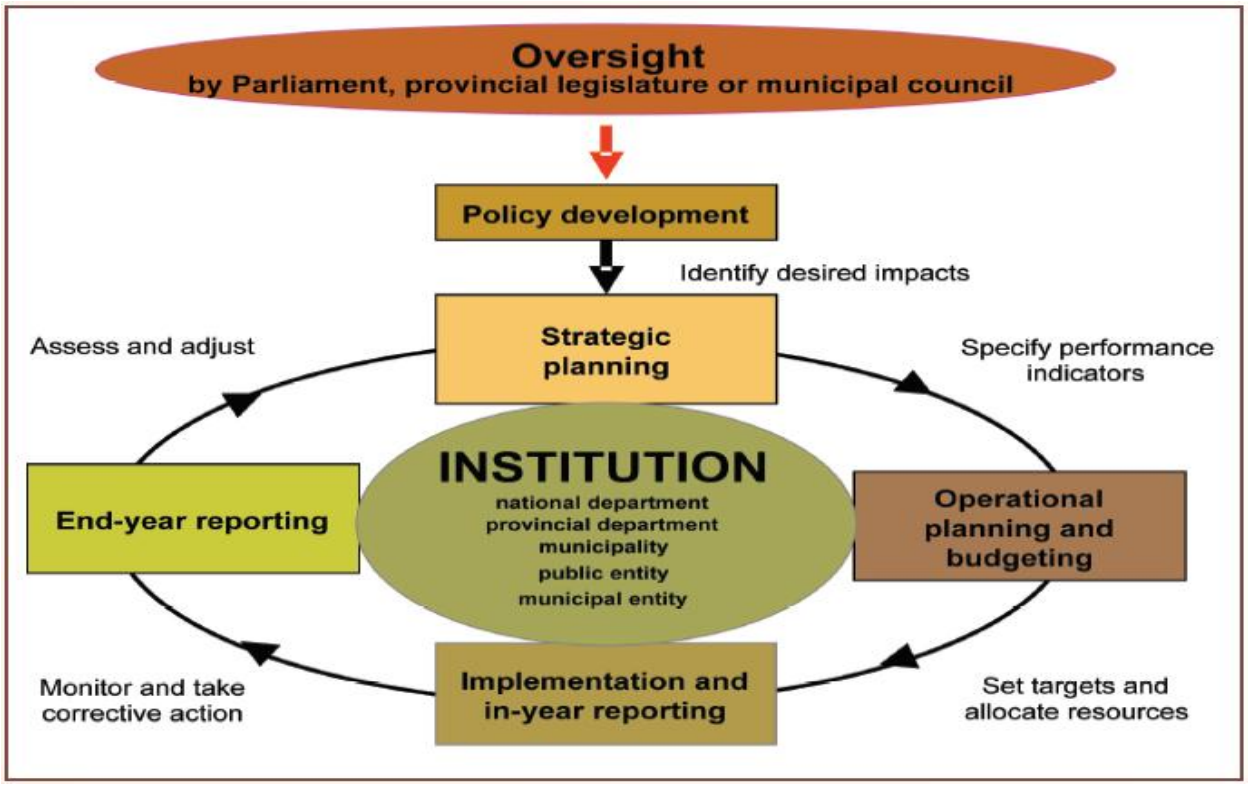

Figure 1Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

Table 27MBRR Table SA8 - Performance indicators and benchmarks

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.4%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing	2.4%	3.6%	0.6%	0.2%	0.2%	0.2%	0.2%	0.6%	0.6%	0.6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and	-223.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.8	2.0	1.1	2.0	2.0	2.0	2.0	2.8	2.7	2.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.8	2.0	1.1	2.0	2.0	2.0	2.0	2.8	2.7	2.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.9	0.4	0.1	0.7	0.4	0.4	0.4	0.6	0.6	0.6
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		84.4%	78.1%	70.8%	78.7%	78.7%	78.7%	78.7%	78.5%	78.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		84.4%	78.3%	70.8%	78.7%	78.7%	78.7%	78.7%	78.5%	78.5%	78.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.1%	16.9%	18.5%	13.2%	16.2%	16.2%	16.2%	16.5%	16.0%	15.7%

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

2.5 Overview of budget assumptions

2.5.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 57% of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded effective

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2018/19 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.5.4 Collection rate for revenue services

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 79. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 70 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Table 28 Sources of capital revenue over the MTREF

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funded by:											
National Government		35 810		41 672	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Provincial Government		400									
Transfers recognised - capital	4	**36 210**	**–**	**41 672**	**58 378**	**58 378**	**58 378**	**58 378**	**46 286**	**43 873**	**52 494**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		1 318		5 034	5 711	5 331	5 331	5 331	8 920	445	472
Total Capital Funding	7	**37 528**	**–**	**46 706**	**64 089**	**63 709**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 29 MBRR SA10 – Funding compliance measurement

KZN265 Nongoma Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	15 678	6 545	3 678	1 693	6 493	6 493	6 493	7 326	20 162	36 286
Cash + investments at the yr end less applications - R'0	18(1)b	2	14 368	10 976	987	11 161	14 254	14 254	14 254	15 953	16 734	17 554
Cash year end/monthly employee/supplier payments	18(1)b	3	2.1	0.7	0.3	0.2	0.6	0.6	0.6	0.7	1.7	2.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	45 941	59 724	30 393	64 089	63 708	63 708	63 708	55 206	56 269	68 152
Service charge rev % change - macro CPIX target exclu	18(1)a,(2)	5	N.A.	8.2%	0.6%	5.9%	(6.0%)	(6.0%)	(6.0%)	0.3%	0.0%	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	96.8%	73.3%	67.9%	76.0%	92.1%	92.1%	92.1%	75.7%	75.7%	75.7%
Debt impairment expense as a % of total billable revenu	18(1)a,(2)	7	9.2%	9.1%	18.7%	4.2%	4.2%	4.2%	4.2%	12.3%	12.3%	12.3%
Capital payments % of capital expenditure	18(1)c;19	8	97.7%	0.0%	0.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transf	18(1)c	9	(18.2%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	61.2%	7.8%	(23.7%)	21.8%	0.0%	0.0%	9.7%	4.9%	4.9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.8%	0.0%	0.0%	1.4%	1.1%	1.1%	0.8%	0.8%	0.8%	0.8%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supporting indicators												
% incr *total service charges (incl prop rates)*	18(1)a			14.2%	6.6%	11.9%	0.0%	0.0%	0.0%	6.3%	6.0%	6.0%
% incr Property Tax	18(1)a			15.4%	7.0%	12.1%	0.0%	0.0%	0.0%	6.3%	6.0%	6.0%
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			1.9%	2.2%	10.5%	0.0%	0.0%	0.0%	6.0%	6.0%	6.0%
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		17 447	19 916	21 230	23 763	23 763	23 763	23 763	25 249	26 764	28 370
Service charges			17 447	19 916	21 230	23 763	23 763	23 763	23 763	25 249	26 764	28 370
Property rates			15 792	18 230	19 507	21 858	21 858	21 858	21 858	23 230	24 624	26 102
Service charges - refuse removal			1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Service charges - other			–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment			121	60	167	234	234	234	234	248	263	279
Capital expenditure excluding capital grant funding			1 318	–	5 034	5 711	5 331	5 331	5 331	8 920	445	472
Cash receipts from ratepayers	18(1)a		20 382	17 503	17 106	22 269	25 878	25 878	25 878	22 381	23 721	25 144
Ratepayer & Other revenue	18(1)a		21 049	23 875	25 210	29 286	28 086	28 086	28 086	29 572	31 343	33 224
Change in consumer debtors (current and non-current)			9 282	9 927	2 031	(6 675)	(1 996)	(1 996)	(1 996)	7 211	1 414	1 484
Operating and Capital Grant Revenue	18(1)a		144 211	176 812	169 173	190 225	190 225	190 225	190 225	189 195	198 300	218 706
Capital expenditure - total	20(1)(vi)		37 528	–	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Capital expenditure - renewal	20(1)(vi)		–	–	–	–	–	–		–	–	–
Supporting benchmarks												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%

Total Operating Revenue			123 507	154 996	152 413	162 963	161 764	161 764	161 764	174 422	187 827	201 616
Total Operating Expenditure			120 457	142 777	166 435	157 252	156 433	156 433	156 433	165 502	175 431	185 958
Operating Performance Surplus/(Deficit)			3 050	12 219	(14 022)	5 711	5 330	5 330	5 330	8 920	12 396	15 658
Cash and Cash Equivalents (30 June 2012)										7 326		
Revenue												
% Increase in Total Operating Revenue				25.5%	(1.7%)	6.9%	(0.7%)	0.0%	0.0%	7.8%	7.7%	7.3%
% Increase in Property Rates Revenue				15.4%	7.0%	12.1%	0.0%	0.0%	0.0%	6.3%	6.0%	6.0%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				14.2%	6.6%	11.9%	0.0%	0.0%	0.0%	6.3%	6.0%	6.0%
Expenditure												
% Increase in Total Operating Expenditure				18.5%	16.6%	(5.5%)	(0.5%)	0.0%	0.0%	5.8%	6.0%	6.0%
% Increase in Employee Costs				36.5%	9.1%	(2.6%)	8.1%	0.0%	0.0%	3.6%	6.0%	6.0%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					212665.3804	5136237.678				188005.5516		
Average Cost Per Councillor (Remuneration)					313929.9524	329804.8881				340676.4007		
R&M % of PPE			1.8%	0.0%	0.0%	1.4%	1.1%	1.1%		0.8%	0.8%	0.8%
Asset Renewal and R&M as a % of PPE			2.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue			9.2%	9.1%	18.7%	4.2%	4.2%	4.2%	4.2%	12.3%	12.3%	12.3%
Capital Revenue												
Internally Funded & Other (R'000)			1 318	–	5 034	5 711	5 331	5 331	5 331	8 920	445	472
Borrowing (R'000)			–	–	–	–	–	–	–	–	–	–
Grant Funding and Other (R'000)			36 210	–	41 672	58 378	58 378	58 378	58 378	46 286	43 873	52 494
Internally Generated funds % of Non Grant Funding			100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			96.5%	0.0%	89.2%	91.1%	91.6%	91.6%	91.6%	83.8%	99.0%	99.1%
Capital Expenditure												
Total Capital Programme (R'000)			37 528	–	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Asset Renewal			–	–	–	–	–	–	–	–	–	–
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash												
Cash Receipts % of Rate Payer & Other			96.8%	73.3%	67.9%	76.0%	92.1%	92.1%	92.1%	75.7%	75.7%	75.7%
Cash Coverage Ratio			0	0	0	0	0	0	0	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.4%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Borrowing Receipts % of Capital Expenditure			(18.2%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			14 368	10 976	987	11 161	14 254	14 254	14 254	15 953	16 734	17 554
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			14.5%	0.0%	0.0%	1.4%	1.4%	1.4%		1.2%	1.2%	1.2%
High Level Outcome of Funding Compliance												
Total Operating Revenue			123 507	154 996	152 413	162 963	161 764	161 764	161 764	174 422	187 827	201 616
Total Operating Expenditure			120 457	142 777	166 435	157 252	156 433	156 433	156 433	165 502	175 431	185 958
Surplus/(Deficit) Budgeted Operating Statement			3 050	12 219	(14 022)	5 711	5 330	5 330	5 330	8 920	12 396	15 658
Surplus/(Deficit) Considering Reserves and Cash Backing			14 368	10 976	987	11 161	14 254	14 254	14 254	15 953	16 734	17 554
MTREF Funded (1) / Unfunded (0)		15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗		15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

2.6 Expenditure on grants and reconciliations of unspent funds

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

Table 34MBRR SA22 - Summary of councillor and staff benefits

KZN265 Nongoma - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		10 345			8 340	8 340	8 340	9 838	10 428	11 054
Pension and UIF Contributions		930			1 079	1 079	1 079	1 260	1 335	1 416
Medical Aid Contributions		–			75	75	75	96	102	108
Motor Vehicle Allowance		–			3 165	3 165	3 165	3 119	3 306	3 505
Cellphone Allowance		–			1 030	1 030	1 030	–	–	–
Housing Allowances		–			–	–	–	–	–	–
Other benefits and allowances		2			163	163	163	172	183	194
Sub Total - Councillors		**11 277**	**–**	**–**	**13 852**	**13 852**	**13 852**	**14 485**	**15 354**	**16 275**
% increase	4		**(100.0%)**	**–**	**–**	**–**	**–**	**4.6%**	**6.0%**	**6.0%**
Senior Managers of the Municipality	2									
Basic Salaries and Wages		662			4 673	5 000	5 000	2 851	3 022	3 203
Pension and UIF Contributions		2			853	912	912	8	8	9
Medical Aid Contributions		–			345	369	369	–	–	–
Overtime		–				–	–	–	–	–
Performance Bonus		–			618	618	618	–	–	–
Motor Vehicle Allowance	3	66			1 178	1 261	1 261	890	944	1 000
Cellphone Allowance	3	–			–	–	–	–	–	–
Housing Allowances	3	–			–	–	–	–	–	–
Other benefits and allowances	3	420			184	197	197	36	38	40
Payments in lieu of leave		–			–	–	–	–	–	–
Long service awards		–			–	–	–	–	–	–
Post-retirement benefit obligations	6	–			–	–	–	–	–	–
Sub Total - Senior Managers of Municipalit		**1 150**	**–**	**–**	**7 851**	**8 357**	**8 357**	**3 785**	**4 012**	**4 252**
% increase	4		**(100.0%)**	**–**	**–**	**6.4%**	**–**	**(54.7%)**	**6.0%**	**6.0%**
Other Municipal Staff										
Basic Salaries and Wages		33 192			44 012	45 796	45 796	51 828	54 937	58 234
Pension and UIF Contributions		699			10 016	10 018	10 018	12 596	13 351	14 153
Medical Aid Contributions		1 679			1 938	2 438	2 438	3 441	3 647	3 866
Overtime		1 452			2 340	2 840	2 840	–	–	–
Performance Bonus		2 503			2 892	3 392	3 392	4 543	4 815	5 104
Motor Vehicle Allowance	3	3 298			1 786	2 786	2 786	3 125	3 313	3 512
Cellphone Allowance	3	–				–	–	–	–	–
Housing Allowances	3	–				–	–	–	–	–
Other benefits and allowances	3	431			1 072	2 072	2 072	1 150	1 219	1 292
Payments in lieu of leave		7 355				–	–	–	–	–
Long service awards		(1 043)				–	–	–	–	–
Post-retirement benefit obligations	6					–	–	–	–	–
Sub Total - Other Municipal Staff		**49 565**	**–**	**–**	**64 056**	**69 341**	**69 341**	**76 682**	**81 283**	**86 160**
% increase	4		**(100.0%)**	**–**	**–**	**8.3%**	**–**	**10.6%**	**6.0%**	**6.0%**
Total Parent Municipality		**61 992**	**–**	**–**	**85 759**	**91 550**	**91 550**	**94 951**	**100 648**	**106 687**
			(100.0%)	**–**	**–**	**6.8%**	**–**	**3.7%**	**6.0%**	**6.0%**

Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure

KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source																
Property rates		1 936	1 936	1 936	1 936	1 936	1 936	1 936	1 936	1 936	1 936	1 936	1 936	23 230	24 624	26 102
Service charges - refuse revenue		168	168	168	168	168	168	168	168	168	168	168	169	2 018	2 140	2 268
Rental of facilities and equipment		21	21	21	21	21	21	21	21	21	21	21	21	248	263	279
Interest earned - external investments		162	162	162	162	162	162	162	162	162	162	162	162	1 940	2 057	2 180
Interest earned - outstanding debtors		133	133	133	133	133	133	133	133	133	133	133	133	1 590	1 685	1 787
Fines, penalties and forfeits		27	27	27	27	27	27	27	27	27	27	27	27	324	344	364
Licences and permits		–	–	–	–	–	–	–	–	–	–	–	888	888	941	998
Transfers and subsidies		46 980	1 970	–	–	–	46 980	–	–	46 980	–	–	0	142 909	154 427	166 212
Other revenue		106	106	106	106	106	106	106	106	106	106	106	106	1 273	1 346	1 427
Total Revenue (excluding capital transfers and con		**49 532**	**4 522**	**2 552**	**2 552**	**2 552**	**49 532**	**2 552**	**2 552**	**49 532**	**2 552**	**2 552**	**3 441**	**174 422**	**187 827**	**201 616**
Expenditure By Type																
Employee related costs		6 706	6 706	6 706	6 706	6 706	6 706	6 706	6 706	6 706	6 706	6 706	6 706	80 466	85 294	90 412
Remuneration of councillors		1 192	1 192	1 192	1 192	1 192	1 192	1 192	1 192	1 192	1 192	1 192	1 193	14 308	15 167	16 077
Debt impairment		259	259	259	259	259	259	259	259	259	259	259	259	3 110	3 297	3 494
Depreciation & asset impairment		410	410	410	410	410	410	410	410	410	410	410	410	4 916	5 211	5 524
Finance charges		17	17	17	17	17	17	17	17	17	17	17	17	200	212	225
Other materials		712	712	712	712	712	712	712	712	712	712	712	712	8 546	9 059	9 602
Contracted services		1 352	1 352	1 352	1 352	1 352	1 352	1 352	1 352	1 352	1 352	1 352	1 353	16 226	17 200	18 232
Transfers and subsidies		129	129	129	129	129	129	129	129	129	129	129	129	1 550	1 643	1 742
Other expenditure		3 015	3 015	3 015	3 015	3 015	3 015	3 015	3 015	3 015	3 015	3 015	3 015	36 179	38 349	40 650
Loss on disposal of PPE													–	–	–	–
Total Expenditure		**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 792**	**13 793**	**165 502**	**175 431**	**185 958**
Surplus/(Deficit)		**35 740**	**(9 270)**	**(11 240)**	**(11 240)**	**(11 240)**	**35 740**	**(11 240)**	**(11 240)**	**35 740**	**(11 240)**	**(11 240)**	**(10 351)**	**8 920**	**12 396**	**15 658**
allocations) (National / Provincial and		15 429	–	–	15 429	–	–	–	–	15 429	–	–	0	46 286	43 873	52 494
allocations) (National / Provincial													–	–	–	–
Transfers and subsidies - capital (in-kind - all)													–	–	–	–
Surplus/(Deficit) after capital transfers &		**51 169**	**(9 270)**	**(11 240)**	**4 189**	**(11 240)**	**35 740**	**(11 240)**	**(11 240)**	**51 169**	**(11 240)**	**(11 240)**	**(10 351)**	**55 206**	**56 269**	**68 152**
Surplus/(Deficit)	1	**51 169**	**(9 270)**	**(11 240)**	**4 189**	**(11 240)**	**35 740**	**(11 240)**	**(11 240)**	**51 169**	**(11 240)**	**(11 240)**	**(10 351)**	**55 206**	**56 269**	**68 152**

2.7 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

Table 39 MBRR SA33 – Contracts having future budgetary implications

There are no such contracts in place.

2.8 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		**51 945**	**36 068**	**41 672**	**58 378**	**58 378**	**58 378**	**54 786**	**43 873**	**45 494**
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Roads		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Community Assets		**–**	**–**	**–**	**4 487**	**–**	**–**	**–**	**–**	**–**
Community Facilities		–	–	–	4 487	–	–	–	–	–
Halls					3 487					
Testing Stations					1 000					
Intangible Assets		–	–	–	–	2 094	2 094	–	–	7 000
Licences and Rights		–	–	–	–	2 094	2 094	–	–	7 000
Unspecified						2 094	2 094			7 000
Computer Equipment		148	350	145	–	162	162	290	307	326
Computer Equipment		148	350	145		162	162	290	307	326
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Machinery and Equipment		183	41	–	235	–	–	–	–	–
Machinery and Equipment		183	41		235					
Transport Assets		–	500	–	–	2 950	2 950	–	–	–
Transport Assets			500			2 950	2 950			
Total Capital Expenditure on new ass	1	**52 659**	**37 528**	**46 706**	**64 089**	**63 709**	**63 709**	**55 206**	**44 318**	**52 966**

No such expenditure.

Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		**3 151**	**–**	**–**	**–**	**–**	**–**	**1 100**	**1 166**	**1 236**
Roads Infrastructure		3 151	–	–	–	–	–	1 100	1 166	1 236
Roads		3 151						1 100	1 166	1 236
Other assets		**–**	**–**	**–**	**1 500**	**1 000**	**1 000**	**700**	**742**	**787**
Operational Buildings		–	–	–	1 500	1 000	1 000	700	742	787
Municipal Offices					1 500	1 000	1 000	700	742	787
Intangible Assets		–	–	–	648	648	648	–	–	–
Licences and Rights		–	–	–	648	648	648	–	–	–
Unspecified					648	648	648			
Computer Equipment		–	–	–	107	–	–	–	–	–
Computer Equipment					107					
Furniture and Office Equipment		588	–	–	–	–	–	–	–	–
Furniture and Office Equipment		588								
Machinery and Equipment		–	–	–	2 261	1 800	1 800	130	138	146
Machinery and Equipment					2 261	1 800	1 800	130	138	146
Transport Assets		767	–	–	–	–	–	700	742	787
Transport Assets		767						700	742	787
Total Repairs and Maintenance E	1	**4 506**	**–**	**–**	**4 516**	**3 448**	**3 448**	**2 630**	**2 788**	**2 955**

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**

   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

2. **Internship programme**

   The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

3. **Budget and Treasury Office**

   The Budget and Treasury Office has been established in accordance with the MFMA.

4. **Audit Committee**

   The Audit Committee is functioning satisfactorily during the year.

5. **Annual Report**

   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. **Policies**

   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.10 Municipal manager's quality certificate

I, Mrs VT Sokhela*, municipal manager of Nongoma Municipality, hereby certify that the draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.*

Mrs VT Sokhela

Municipal manager of Nongoma Municipality (KZN265)

Signature _____

Date 28 March 2018